

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 EB-08 OPIC-03 COME-00 SP-02 USIA-06
AID-05 NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
IGA-02 CIAE-00 INR-07 NSAE-00 XMB-02 L-03 /079 R

DRAFTED BY ARA/ECA:STMYLES:RC
APPROVED BY ARA/ECA: RWZIMMERMANN
ARA:RGARELLANO
ARA/ECP:SROGERS
EB/OIA:DGRANT
OPIC:TMANABACH

-----084254 270925Z /21

R 262319Z AUG 77
FM SECSTATE WASHDC
TO AMEMBASSY BRASILIA
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: EINV, BR

SUBJECT: BRAZILIAN CONCERN OVER PROPOSED CHANGE IN OPIC
POLICY

1. AMBASSADOR PINHEIRO MET THE AFTERNOON OF AUGUST 18 WITH
DEPUTY ASSISTANT SECRETARY FOR INTER-AMERICAN AFFAIRS
ARELLANO AND OTHER STATE OFFICERS TO EXPRESS HIS GOVERN-
MENT'S CONCERN OVER A PROPOSED CHANGE IN THE POLICY OF THE
OVERSEAS PRIVATE INVESTMENT CORPORATION. THIS CHANGE WOULD
RESTRICT THE AVAILABILITY OF OPIC PROGRAMS FOR PROJECTS IN
BRAZIL.

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2. FYI. THE OPIC BOARD OF DIRECTORS IS CURRENTLY DEVELOP-
ING NEW POLICY ON COUNTRY ELIGIBILITY FOR OPIC COVERAGE
WHICH WOULD RESTRICT ITS ACTIVITIES IN UPPER INCOME LDCS.
THE POLICY WILL BE BASED ON ADMINISTRATION ECONOMIC
POLICY GROUP RECOMMENDATIONS OF LAST MAY.

OPIC ACTIVITIES MAY BE RESTRICTED IN COUNTRIES THAT HAVE

A PER CAPITA GNP EXCEEDING \$1,000 IN 1975 DOLLARS. OPIC PROPOSES THAT CERTAIN EXCEPTIONS WOULD BE MADE IN FIELDS SUCH AS FUEL AND MINERAL DEVELOPMENT, SMALL BUSINESS, AND COOPERATIVES. END FYI.

3. ARELLANO POINTED OUT TO THE AMBASSADOR THAT THE OPIC BOARD HAD NOT YET PASSED GUIDELINES IMPLEMENTING CHANGES IN OPIC POLICY, AND THAT WHILE CERTAIN PROGRAMS IN BRAZIL MIGHT NOT QUALIFY UNDER THE TENTATIVE NEW CRITERIA, EXISTING OPIC COVERAGE WOULD NOT BE AFFECTED. HE STRESSED THAT OPIC WAS RESPONDING TO CARTER ADMINISTRATION DECISIONS THAT THE FOCUS OF OPIC PROGRAMS SHOULD BE ON THE LOWER INCOME LDCS, OF WHICH BRAZIL CERTAINLY WAS NOT ONE.

4. AMBASSADOR PINHEIRO ACCEPTED THE FACT THAT THE PROPOSED OPIC CHANGES WERE NOT INTENDED TO DISCRIMINATE AGAINST BRAZIL FOR ANY REASON. HE URGED THAT THE OPIC BOARD CONSIDER EXCEPTIONS FOR SMALLER COMPANIES THAT LOOKED TO OPIC INSURANCE FOR PSYCHOLOGICAL SUPPORT WHEN INVESTING OVERSEAS. HE WAS ALSO ASSURED THAT THE PROPOSED NEW CRITERIA WOULD NOT CHANGE OR ABROGATE THE BILATERAL AGREEMENT ON THIS SUBJECT BETWEEN THE U.S. AND BRAZIL.

5. ON A RELATED SUBJECT, THE AMBASSADOR STATED THAT THE BRAZILIAN GOVERNMENT HELPED INDIGENOUS INDUSTRY OBTAIN PREFERENTIAL ACCESS TO AVAILABLE DOMESTIC CAPITAL SINCE LIMITED OFFICIAL USE

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MOST FOREIGN COMPANIES COULD EASILY GET FINANCING ON WORLD MONEY MARKETS. THE POLICY IS NOT DISCRIMINATORY TO NEW FOREIGN INVESTMENT, HE ASSERTED, ONLY PROTECTION OF BRAZILIAN INDUSTRY AGAINST "UNFAIR COMPETITION" IN THE DOMESTIC CAPITAL MARKET BY FOREIGN CORPORATIONS. HOWEVER, FOREIGN-OWNED SUBSIDIARIES COULD OBTAIN DOMESTIC FINANCING IF THEY COOPERATED IN THE IMPORT-SUBSTITUTION AND EXPORT EXPANSION PROGRAMS.

6. OPIC VICE PRESIDENT FOR DEVELOPMENT, ROBERT S. SMITH, AND DIRECTOR FOR LATIN AMERICA (INSURANCE), B. THOMAS MANSBACH, MET WITH AMBASSADOR PINHEIRO ON AUGUST 24 TO PROVIDE ADDITIONAL COMMENT ON PROPOSED CHANGE IN OPIC POLICY.

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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
Copy: SINGLE
Sent Date: 26-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Disposition Event:
Disposition History: n/a
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Litigation History:
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